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Verisk Analytics, Inc. (VRSK)

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, everyone, and welcome to the Verisk third quarter 2020 earnings results conference call. This call is being recorded. At this time, all participants are in a listen-only mode. After today's prepared remarks, we will conduct a question-and-answer session.

For opening remarks and introduction, I would like to turn the call over to Verisk's Head of Investor Relations, Ms. Stacey Brodbar. Ms. Brodbar, please go ahead.

Stacey Jill Brodbar

Head-Investor Relations, Verisk Analytics, Inc.

Thank you, Jay, and good morning, everyone. We appreciate you joining us today for a discussion of our third quarter 2020 financial results. Today's call will be led by Scott Stephenson, Verisk's Chairman, President, and Chief Executive Officer, who will provide an overview of our business. Lee Shavel, Chief Financial Officer, will follow with the financial review. Mark Anquillare, Verisk's Chief Operating Officer, will join the team for THE Q&A session.

The earnings release referenced on this call as well as the associated 10-Q can be found in the Investor section of our website, verisk.com. The earnings release has also been attached to an 8-K that we have furnished to the SEC. A replay of this call will be available for 30 days on our website and by dial-in.

Finally, as set forth in more detail in today's earnings release, I will remind everyone that today's call may include forward-looking statements about Verisk's future performance, including but not limited to the potential impacts of the COVID-19 pandemic. Actual performance could differ materially from what is suggested by our comments today. Information about the factors that could affect future performance is contained in our recent SEC filings.

And now I'll turn the call over to Scott.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

Thanks, Stacey, and good day, everyone. I'm glad to be with you today and certainly hope you and your families continue to stay safe and are well in this moment. At Verisk, we continue to focus on our key priorities to build long-term shareholder value, delivering for our customers through innovation and service while also protecting the health and well-being of our teammates around the globe.

To that end, the majority of our offices continue to operate in a Phase 1 format and are available for those employees who have volunteered to work from the office. Our Global Protection Services team closely monitors directives from local governments and public health officials around the world and makes real-time decisions to maintain the safety of our people.

Over the duration of the pandemic, our teams have proven they can transition efficiently into different work modes with minimal interruption in service to our customers. So while there remains much uncertainty around the pandemic, I have complete confidence that our 9,000-plus teammates at Verisk will navigate through these times effectively and deliver the highest value to our customers as we have in 2020.

During the third quarter, our business performed solidly, posting sequential growth from the second quarter in both our subscription and transactional revenues. In addition, we saw improvement in the year over growth rates of both our non-COVID-sensitive and COVID-sensitive revenues.

During the quarter, we kept a keen eye on cost by pacing head count growth, while also benefiting from the responsiveness of our compensation structure and lower travel expenses. That said, we continued to fully fund investment in our business, including our innovation agenda and the modernization of our computing infrastructure through cloud migration, tokenization of key data assets and the development of cutting-edge data fabric to underlie our analytics solutions. The net result was strong organic constant currency adjusted EBITDA growth and margin expansion. Lee will provide more details on our performance in his financial review.

During the third quarter, we advanced our innovation agenda with the release of new solutions across our verticals. In Insurance, we expanded the Verisk Data Exchange with the addition of Ford Motor Company. Owners of Ford and Lincoln vehicles will soon be able to easily access usage-based insurance programs for many of the US auto insurers that connect to the exchange.

The Verisk Data Exchange employs advanced proprietary analytics to refine driving telemetry from connected vehicles into normalized, easy-to-use, insurance-ready information, including our rating and scoring solutions. We're excited to have Ford as part of the exchange and believe their addition will help our insurance customers expand their usage-based insurance programs.

At FAST, we are very pleased with the success we are having, extending and accelerating the adoption of FAST's solutions across our broad customer base. Since we acquired FAST in December, we have seen leading life insurers including Amica, Kansas City Life, Lincoln Heritage and Financial and Pacific Life license FAST's SaaS-based software to enable their digital transformation and become more automated and efficient.

Finally, in our repair cost estimating solutions, we have launched XactAnalysis Insights, a new add-on feature to our core XactAnalysis platform. This tool uses artificial intelligence and machine learning to create interactive and customizable dashboards that enable our customers with a more holistic view of their claims data. We believe XactAnalysis Insights should help our customers to work more efficiently and effectively as they can more quickly identify trends in their data.

In Energy and Specialized Markets, we continue to make advances with our differentiated analytic platform called Lens and recently released the upstream portfolio optimization module. We are on track and on budget for further releases by year-end, namely in the areas of power and renewables and upstream carbon emissions. Despite the softness in the energy end market, we continue to see increased demand from our customers for our Lens platform, where our investment has delivered value for our clients and is reflected in increasing contract values and deeper integration into our customers' workflows.

In Financial Services, we launched Merchant Tracker, a unique solution that allows businesses to better understand where consumers are spending and how their sales compare to other merchants. This solution enables business leaders to benchmark themselves on a weekly basis across metrics including sales and market share versus other named merchants down to the zip code level. The data can also differentiate between physical and online sales.

Merchant Tracker built upon the COVID-19 consumer spending dashboard that we developed in March to help our customers navigate through the early stages of the pandemic. Merchant Tracker is an example of how we are

creating new commercial opportunities from the disruption of the pandemic while also delivering for our customers.

On the sales front, our teams have fully embraced digital engagement, and outreach to our customers continues to be robust. We are experiencing increases in call volume in the 60%-plus range, and continue to benefit from the availability of customers who are still working from home.

We recently hosted Verisk Velocity, our signature conference for underwriting and rating, as a fully virtual event this year. The digital format allowed us to expand the concept to feature more industry speakers and to create on-demand access so customers could watch sessions they were interested in at their convenience.

The event focused on accelerating the future of insurance and included sessions on the latest emerging issues, including the digitization of insurance, lessons learned from COVID-19, cyber insurance and ransomware, millennials and insurance, social inflation and what it means for insurance, and combating racism with ethical artificial intelligence.

We had over 1,900 people register for the conference, which was more than four times larger than our in-person event last year, and those numbers continue to grow as customers are still accessing the on-demand content.

Additionally, we experienced improved representation from our global clients as well as deeper penetration into our customers as we saw more people per account in attendance. Overall, this event was a great success and really reinforces Verisk's position as a thought leader in the industry and a partner for our customers.

Taken together, all this activity has created increased numbers of sales leads and growing sales pipelines as we partner with our customers to help them become more digitally engaged and connected. We continue to experience the modestly longer sales cycle relative to historic norms that we discussed last quarter, and are managing this carefully.

Putting the customer first is one of the guiding principles at Verisk, and improving our customer experience is a key focus for everyone across the organization. I'm very pleased to share with you that we recently achieved our highest Net Promoter Score in the company's history, a score of 50. This is an improvement of six points from last year, which was our then peak score, and reflects an increase in our investment in what we call our Customer-First Program, a solution set of customer experience data, analytic tools and cultural drivers.

Our nearly 40 frontline teams across the organization listened to the voice of our customers, helping us to observe what is important and creating action plans to drive customer value and improve customer loyalty. The meaningful insights we glean from these day-to-day customer interactions and from our growing customer experience analytical capabilities helps us improve our solutions, highlight important trends across solutions and businesses and alert us to problems. In the COVID moments, putting the customer first is needed more than ever, and our teams across all verticals have stepped up in unique ways to support them.

On the sustainability front, we continue to make progress on our plan. For the third consecutive year, investments in renewable energy certificates and carbon offsets helped balance 100% of Verisk's CDP-reported scope 1, 2 and 3 emissions. While we've implemented many important energy-saving initiatives during the recent past, investing in renewable energy certificates is a practical option for a company of our size that leases all of its office space.

Taken together with carbon offsets, the investments represent an immediate step forward, balancing Verisk's greenhouse gas emissions for the near-term to a degree that the company could never achieve otherwise. In fact, based on CDP's scope 1 and 2 revenue-based intensity calculation, our 2019 emissions are more than 15% lower now than when we first measured emissions five years ago.

Finally, I'd like to publicly welcome General Vincent Brooks to our Board of Directors. General Brooks joined our board on October 1 and brings with him more than four decades of leadership experience in some of the world's most complex and challenging situations. General Brooks served in the US Army for 42 years from his entry into West Point until his 2019 retirement as a four-star general. Most recently, General Brooks was in command of all US forces in Korea, where he concurrently led the United Nations Command and the Republic of Korea-US Combined Forces Command, which was comprised of more than 650,000 Korean and American soldiers.

I'm confident that as a member of our Board of Directors, General Brooks will reinforce Verisk's culture of operational excellence, and his experience in guidance will be instrumental as we work in complex global-scale environments. General Brooks becomes the fourth new director to our board in the past four years.

So now let me turn the call over to Lee to cover our financial results.

Lee M. Shavel

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

Thank you, Scott. First, I would like to bring to everyone's attention that we have posted a quarterly earnings presentation that is available on our website.

Moving to the financial results for the third quarter, on a consolidated and GAAP basis, revenue grew 7.6% to \$703 million. While net income and earnings per share increases reflected a \$125 million litigation reserve and \$29 million acquisition-related earn-out expense in the prior period that did not reoccur.

Moving to our organic constant currency results, adjusted for non-operating items, as defined in the non-GAAP financial measures section of our press release, we are very pleased with our operating results, considering the impact from COVID-19.

Normalized for the \$8 million revenue impact of the injunction on roof measurement solutions, organic constant currency grew 4.9%. The third quarter 2020 was the final quarter of any material organic impact from the injunction.

In the third quarter, our non-COVID-sensitive revenues, as we defined last quarter, grew approximately 7.8% on an organic constant currency basis and normalized for the injunction, which was an improvement from the 6.5% growth in the second quarter. This sustained growth in our non-COVID-sensitive revenues, representing approximately 85% of our total revenues, reflects the durability and resilience of our primarily subscription-based business model.

We did continue to experience, as we did in the prior quarter, a negative impact from COVID-19 on certain of our products and services, largely transactional in nature, which represent the balance or approximately 15% of our consolidated revenues. These COVID-sensitive revenues declined approximately 10% on an organic constant currency basis during the third quarter, which was an improvement from the 20% decline in the second quarter and reflects improvements in all three of our segments, as the underlying causal impacts began to diminish and some of the pressure on our revenues abated, though the pace of the recovery varies across the solutions. For

example, we have seen a rebound in our commercial underwriting surveys as our field staff is now allowed to enter buildings. And we have also seen improvements in trends across personal auto.

On the energy side, we have seen a more modest improvement as CapEx budgets at our customers continue to be under pressure, affecting our consulting business. Despite the impact on revenue in the third quarter, we are pleased to report that we delivered strong EBITDA growth and expanded margins as the result of effective expense and head count management.

Organic constant currency adjusted EBITDA growth, normalized for the injunction, was 17.7% in the third quarter. Total adjusted EBITDA margin, which includes both organic and inorganic revenue and adjusted EBITDA, was 52.1% in the quarter, representing strong leverage across the business. This margin level includes roughly 140 basis points of benefit from lower travel expenses, but also reflects substantial investment in our business and infrastructure, including our cloud transition costs.

On that note, let's turn to our segment results on an organic constant currency basis and normalized for the injunction. Insurance segment revenues increased 7%, reflecting healthy growth in our industry-standard insurance programs, catastrophe modeling solutions and repair cost estimating solutions.

We experienced a modest benefit from storm-related revenues as a result of a more normal hurricane season in 2020 as compared to the very slow season in 2019. This was offset in part by a decline in certain transactional revenues that were negatively impacted by COVID-19. Adjusted EBITDA grew 19.8% in the third quarter, demonstrating strong margin expansion despite certain revenue declines and investment in our breakout areas.

Energy and Specialized Markets revenue decreased 1% in the third quarter due to declines in consulting and implementation projects. We were very pleased to see continued growth in our subscription-based core research and data analytic platforms, environmental health and safety service solutions and weather analytics solutions, resulting in outperformance relative to the end market.

We believe our strong performance is a function of the criticality of our solutions, the diversification of our revenue streams into breakout areas like the energy transition practice, and the strength of our relationships in the industry. Despite the revenue declines, adjusted EBITDA grew 10.7% in the third quarter, driven by strong operational controls and modest actions taken during the second quarter to reduce head count to be more balanced with the current level of consulting [indiscernible] (00:17:00).

We continue to closely monitor and partner with our energy customers as they navigate through this tough operating environment with a particular focus on consolidation in the upstream space. We have a track record of managing through these times effectively.

Additionally, we now have the tools to capitalize on the commercial opportunity that consolidation brings through our cost intelligence solutions, which utilize our proprietary data assets to help identify cost-saving opportunities and reduce spending for these companies.

Financial Services revenue increased 1.6% in the quarter driven by growth in subscription revenues. This was offset in part by declines in our spend informed analytics solutions stemming from COVID-19, and reduced levels of advertising. We continue to focus on building a more stable and a recurring revenue base for this business. Adjusted EBITDA increased 3.7% for the quarter, reflecting cost discipline. Total adjusted EBITDA margins declined in the quarter as a result of portfolio actions we closed earlier in the year.

Our reported effective tax rate was 22.6% for the quarter compared to 15.5% in the prior year quarter. The quarterly rate came in lower than our expectations, owing to increased levels of stock option exercise, which depend on personal employee decisions and the Verisk stock price.

Looking forward, we now expect that our full year tax rate for 2020 will be between 20% and 22%. Adjusted net income was \$218 million and diluted adjusted EPS was \$1.32 for the third quarter of 2020, up 17.2% and 17.9% from the prior year respectively. These increases reflect solid top line growth, cost discipline in the business, a reduction in travel expenses as a result of COVID-19, and a lower average share count.

Net cash provided by operating activities was \$207 million for the quarter, down 3% from the prior year period primarily due to a deferral of federal income tax payment under the CARES Act from the second quarter of 2020 to the third quarter of 2020, partially offset by the deferral of certain employer payroll taxes as well as higher customer collections and a reduction in travel payments as a result of COVID-19.

Capital expenditures were \$65 million for the quarter, up 6.8% from the prior year period. CapEx represented 9.2% of total revenues in the quarter, reflecting some leasehold improvement expenditures associated with our office consolidations in Boston and London. We continue to expect capital expenditures to decline as a percentage of revenues.

For 2020, we expect CapEx to be in the previously provided range of \$215 million to \$270 million, as investing in our business and our people continues to be our highest priority. Related to CapEx, we continue to expect fixed asset depreciation and amortization to be within the range of \$185 million to \$195 million and intangible amortization to be approximately \$165 million in 2020.

During the third quarter, we returned \$94 million in capital to shareholders through share repurchases and dividends. And I'm pleased to report that our Board of Directors has approved a \$0.27 per share dividend for the fourth quarter to be paid in December. I also want to note progress with the integration and sales momentum of our recent acquisitions, including FAST, BuildFax and Genscape.

On the revenue side, while still early, we are seeing success selling these solutions into our broad customer base and are innovating new products and enhancing existing ones by incorporating the data sets into our solutions.

On the cost side, we are experiencing synergies consistent with our expectations at the time of the deals as integrations are moving smoothly. We're monitoring these acquisitions carefully and supporting the management teams to ensure that we are generating a solid return on invested capital.

As we detailed last quarter, we continue to believe that the collective causal factors from COVID-19 represent pressure on achieving our 7% long-term growth objective in 2020. However, we remain confident they do not represent a structural change in our fundamental growth drivers and believe that as the underlying causal factors abate, we will show strong resilience in recovery. Each of these causal factors has its own recovery curve, making it difficult to predict the duration of the impacts to our revenue growth. We continue to have confidence in our ability to manage the cost structure effectively, and deliver operating leverage while also continuing to invest in our innovation agenda.

While we restrict head count growth at the outset of the pandemic, with improving revenue dynamics, more recently, we have begun to partially release deferred hiring restrictions. That said, we are watching the environment carefully and will calibrate head count growth accordingly to protect profitability.

Taking this all together, we continue to believe that the stability of our subscription revenues, along with our core operating leverage, driven by the responsiveness of our compensation structure and cost discipline, will continue to support revenue and EBITDA growth in 2020.

We hope this provides some useful context for you and we look forward to addressing your questions. We continue to appreciate all the support and interest in Verisk. Given the large number of analysts we have covering us, we ask that you limit yourself to one question and one follow-up

With that, I'll ask the operator to open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you, sir. [Operator Instructions] Our first question comes from the line of Toni Kaplan from Morgan Stanley. Your line is open.

Toni M. Kaplan

Analyst, Morgan Stanley & Co. LLC

Q

Thanks very much. Your insurance margins have been exceptionally strong this year, and I know you've talked about T&E savings and comp, et cetera. Should we be thinking of 2019 as the normal baseline year and you'll expand from there? Or has there been a permanent step-up this year if you take out some of the temporary COVID impacts? Maybe you could go through some of what you saw this quarter to just help us think about what a normal baseline looks like.

Lee M. Shavel

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

A

Yeah. Thank you, Toni. Appreciate the question. And, as always, when we talk about margins across the enterprise as a whole and even just within the Insurance segment, there were a lot of factors that are going into this. I think if we can think about it on one level in the third quarter, the exceptional margin expansion was a function of, in part, the COVID-19 environment, meaning that we did see a larger reduction in expenses owing to travel and entertainment and some compensation costs relative to the revenue growth chain. So that was certainly an element that contributed.

Our view is that there may be some permanent benefits from that as we look at the way we orient our, or size our travel and entertainment activities. There may be some permanent benefits in terms of longer term real estate expense savings. And so I think that there is some permanent element of that that we achieved. So that's kind of the COVID dimension.

There is another dimension in the margins in Insurance which reflect the contribution of our aerial imagery business, the Geomni business to Vexcel. And so there was a substantial reduction in expenses and, if you will, EBITDA margin benefit from that transaction. That did represent a permanent improvement across Insurance as a whole, and so that is certainly a, what we would expect is a permanent benefit. I think those are the larger pieces.

We also had in the quarter, particularly some particular strength in our AIR catastrophe modeling business that was helpful with some stronger transactional revenue, and some other business related things. The storm revenue in the claims business probably also boosted margin a little bit higher. But I think your thesis is correct. There are some permanent elements to that. We're going to try to manage the recovery of expenses, particularly

T&E and head count through the recovery here in a way to continue to allow that operating leverage to be reflected to it. But there are going to be some permanent benefits. Hopefully that captures it.

I do think I want to end by saying that I think looking at 2019 is a legitimate reference point. We do think that the levels that we will achieve in 2020 reflect some exceptional benefits, but we will be looking at our margins I think in 2021 relative to 2019 as a more normalized base.

Toni M. Kaplan

Analyst, Morgan Stanley & Co. LLC

Q

Got it. Very helpful. And then for my follow-up, wanted to ask about Energy. The organic growth improved versus second quarter despite the really difficult comp. Obviously COVID has probably moderated a little bit, but the CapEx spending in the energy industry is still tough, as you've mentioned. Just help us out with how you're thinking about whether you could see growth in that segment in 2021 just given that 2020 was so challenging. Just talk about how you see Energy playing out.

Lee M. Shavel

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

A

Sure. So, Toni, the way that I would approach it is first with regard to the Wood Mackenzie component of that, we are experiencing two dimensions. One of course, the consulting element, where, from a COVID-sensitive perspective, and the challenges that the industry is facing, that's where we're feeling the pressure as reflected in the COVID-sensitive revenues. And so it's difficult to predict how that Energy sector will continue to experience that and reflect it. So I think we're expecting some level of that to persist into 2021.

On the subscription side, I think as we said, we've continued to see growth in that portion of the business. That has been bolstered by the investment that we've made in Lens and the perceived quality of that product platform and our ability to continue to grow subscription levels. There are some impacts from consolidation within the industry that will have a negative impact going into 2021. But we still expect, from an organic standpoint, to see contributions to growth from that.

The other element is going to be in our PowerAdvocate business. 2020 reflected a transition from a great 2019 where we have a lot of new projects and implementation revenue that came out as we moved to more subscription revenue for some of those pieces. We do think the contribution in 2020 from that business will be stronger in 2021 as they have rebuilt the pipeline and that should continue to grow as well.

So I will end by saying, we continue over the long term to believe that the entire Energy and Specialized Markets component of the business has the potential to deliver growth, consistent with our organic constant currency growth targets of 7%. That will vary from year-to-year. We're obviously experiencing pressures within this environment. But we do believe that the business as a whole can deliver on that.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

And, Lee, I just want to make a general point around that specific point, and Toni, good to hear from you. So, we can always observe the relative impact of the macro environment at any given moment, which I think is the basis of your question, and there is some impact, as Lee was talking. But another thing which is true about our business and I wanted to make this point, and it actually relates to everything we do, is that we consistently grow faster than the underlying markets that we serve. And the reason is a combination of what it is we do, which is fundamentally helping them become more data analytic, which is the direction of travel anyway, and actually in

the COVID moment, many companies really, really have discovered their need to accelerate their rates of digitization and deepen their data analytics. So that's the first point.

The second point is the rate at which we grow is really going to be strongly a function of how much value and increased value we're able to bring to our customers. So there is definitely a relationship to the macro environment, no question about it. But what I wanted to emphasize was, we always feel that we have the opportunity to increase the value that we bring to our customers. And that does get reflected in how much of their increased value they share with us, even in a relatively difficult market. That's kind of the underlying story of Verisk, actually.

Toni M. Kaplan

Analyst, Morgan Stanley & Co. LLC

That's great. Thanks very much.

Q

Stacey Jill Brodbar

Head-Investor Relations, Verisk Analytics, Inc.

Next question.

A

Operator: Thank you. Next question comes from the line of Andrew Steiner from JPMorgan. Your line is open.

Andrew C. Steiner

Analyst, JPMorgan Securities LLC

Hi, Lee. I wanted to jump more into the third quarter margins, both a question on T&E and incentive compensation. Are you able to call out the temporary margin benefit for cash incentive compensation during COVID – this is for the third quarter – like you did for the second quarter? I think there was a 100-basis-point figure back in the second quarter. And then the second part of my question is when thinking about the 140 basis points of benefit that you've called out to the third quarter from T&E, is there a sense with the company that sales productivity has been strong enough that you could quantify how much of that 140 basis points of benefit in the third quarter will remain an ongoing benefit, meaning not as much travel will rebound even post COVID?

Q

Lee M. Shavel

*Chief Financial Officer &
Executive Vice President,
Verisk Analytics, Inc.*

Thanks, Andrew. So, first to answer the first part of your question, we estimate that the impact of incentive compensation change was about 40 basis points relative to the 140 basis points of T&E benefit. And that's just looking at the third quarter on a year-over-year basis. So that would be I think the number that you were looking for on the compensation front.

With regard to your second question, I would say it's still too early for us to associate the productivity on the sales side, which Scott described and I think we're all very pleased with, to how we calibrate our T&E expectations looking ahead. I think there are two levels. One, from a financial perspective, we obviously want to manage that in a way that we continue to see the operating leverage within the business. But the other dimension, and clearly the more important dimension, is what do we want to see from our customers, and to what degree is it important to them that we're engaged with them face to face. This is a business where we think that we benefit from that.

We're obviously doing well within this environment and that productivity is up, but at the end of the day, we need to make certain that we are interacting with our clients in the way that is most effective for them and for us.

So, we'll follow their lead. I do think that that's going to be a gradual process and we'll have the ability to calibrate that, but that would be the way I would say we are thinking about it, and it's too early for us to quantify or define what we think the permanent, potential permanent benefit from the T&E perspective is.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

Right. But you do think when you quantify it, it will be material. You're just not ready to quantify it yet, Lee.

Lee M. Shavel
Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

A

Yeah. Well, I mean, I think there's a certain unknowable quality to it. I think we'll know it when we see it kind of experienced over time. As Toni indicated, kind of looking at over a period of time, perhaps as we look at travel and entertainment as a percentage of our revenues, maybe in one way for us to gauge it. But I think it's undeniable that, having been through this experience, that we have the scope to think about the degree to which we're spending on that relative to revenues and/or have other ways and more efficient means to interact with our customers. But it will be something that we're tracking and hence, by tracking, be able to manage more effectively.

Scott G. Stephenson
Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

And maybe a word of context around that, which is we are actually, right now, in the early stages of envisioning what will our physical plant look like over longer periods of time. And I'm certain that all of our customers are doing the same thing. And so in the future state, that person, she or he, that one of our people needs to encounter in a deep way, where will they be?

I mean in the same way that we are considering exactly how dense our physical space – we will definitely have physical space, but how dense will it be? Where will it be? We're asking those questions right now. Our customers are as well. So I think Lee's answer is exactly correct because we can't presume on the decisions that our customers are going to make. And yet we will want to encounter them deeply. They will want to encounter us deeply. And so we're just going to figure it out with them, basically. But that will emerge over time.

Lee M. Shavel
Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

A

Thank you, Andrew.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

Okay. Thank you.

Operator: Thank you. Next question comes from the line of Alex Kramm from UBS. Your line is open.

Alex Kramm
Analyst, UBS Securities LLC

Q

Yeah, hey. Good morning, everyone. You mentioned in your prepared remarks some comment – you made some comments on digitization. I think you just brought it up again to Toni's question. Can you go a little bit deeper in terms of what you're hearing from your clients, specifically how COVID has maybe changed their appetite to revisit their processes? And what areas there may be the most new demand for products or digitizing total processes, and obviously, how you can help as this post-COVID world plays out? I know that's a loaded question.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

Yeah. No, thanks, Alex. Mark, you want to make some observations from the insurance world?

Mark V. Anquillare

Chief Operating Officer & Executive Vice President, Verisk Analytics, Inc.

A

Yeah, absolutely. Thanks for the question. I think what we're all saying is that our customers need to make sure they operate as effectively in this post-COVID world as is in the past. And that digital engagement with their policyholders is hugely important, whether that's on the underwriting side or on the claims side. So the things that we've seen become kind of very important to insurers is some of the things we've talked about in the past. So to the extent you're think about adjudicating a claim, we have a tool that we gave away free during the pandemic, at least the early stages. And what it does is it allows that adjuster to sit at his desk and do a desktop adjustment, meaning actually adjudicate a claim by interacting with the policy holder; taking pictures, taking videos, taking that measurement from inside those pictures and developing repair cost estimates so that the contractor can get out and fix the property at the same time the policyholder gets the payment from, or the contractor gets the payment from the [indiscernible] (00:37:43).

On the underwriting side, very similarly, we have tools that have helped them digitally engage. If you're going to go underwrite a commercial building or a very high-value home, you want to go out and see it. Now that's difficult. And what I think key is all of these insurers attempting to do that from their desktop; interact with policyholders and have them walk around the home or walk around the property.

And finally, it takes a form of automation, right? People are looking to automate that co-process. So anything we can do, we refer to it as LightSpeed, to bring all that data forward so that they're able to quickly and efficiently provide a quote using public information, using proprietary information. That is the digital engagement that we're experiencing. And I think what we'd like to say is a lot of our insurance companies are trying to become a better digital form of themselves. So this time has kind of spurred some investment in IT so that they can be there in the advent.

Alex Kramm

Analyst, UBS Securities LLC

Q

Okay. Very good. Thanks. And then just a quick one on, just following up on the energy question earlier. I think you answered more about 2021. But can you give us a little bit more near-term outlook here? I think you said, obviously, there's consolidation. There are also – I think bankruptcies are just starting to happen. Is there likelihood that things get worse before they get better? Or how do you see the near term from here?

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

Well, the point I think to really bear in mind here is the nature of our business in the energy space. Just even a few years ago, something on the order of 70% of our revenue was related to the upstream part of the hydrocarbon wing of the energy ecosystem. Now it's less than 50%. And most of what we do there is with the

integrated globals or with the national oil companies in the hydrocarbon space as well as the financial services sector that finances and does deals with those kinds of folks.

Our exposure to Lower 48 unconventional, which is the part of the market that has really been affected and when you referenced bankruptcies, for example, is actually quite low. It's never been a large part of our mix. And so actually, we're fairly insulated from those kinds of effects.

So you're right, Alex, those things – some of those trends are going on right now, but I would encourage you to lay over that the actual structure of our business, which tends to be more immune to some of those effects. And there are also compensating effects in other parts of the supply chain. So as you know, we have a very nice footprint in the petrochemicals world. At the moment, petrochemicals players are benefiting from the fact that feedstocks are cheap.

Alex Kramm

Analyst, UBS Securities LLC

Q

Fair enough there. Thank you.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

There are puts and takes.

Operator: Thank you. Next question comes from the line of Andrew Nicholas from William Blair. Your line is open.

Andrew Nicholas

Analyst, William Blair & Co. LLC

Q

Hi. good morning. I was hoping you could provide an update on the cloud transition work you're doing right now. Or are there any milestones you can point to that can give us a sense for some of the incremental progress there of late? And maybe comment on where you are in terms of realizing the cost benefits from that work.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

So we're plowing ahead. And there are multiple work streams inside. So part of it is actually sort of grooving the pathways and hardening the pathways and ensuring security as we rotate things into the cloud. But another part of it is the migration of our footprint away from premise computing, and especially the mainframe. So we're at work. We're in the middle of it right now.

The work will proceed faster than the visible cost benefit associated with what we're doing. It's just the nature of the thing. The cloud spending, for example, is a linear function. And premise spending is more of a sort of – you sort of take shelves of spending down, but you have to reach points where that has occurred.

And I would say that we are well along. And we've talked before about the fact that mainframe migration, for example, is a couple of years. And so I have kind of like a two-year horizon on when we can say we are fundamentally done or close to done with mainframe migration. So that's where we are.

The rate at which we will get the cost benefit of that will emerge kind of as a trailing function. And this is what we've said about it all along. Actually, I hope that those of you that have been with us for a while have noted,

we've been making these investments for quite some time. They're all baked into our P&L. It's not like we have to declare some special project. We're just – this is what we do, and this is what we were doing. So anyway, so a couple of years is sort of the window for technical migration, and the rate at which the cost benefits sort of layer in will sort of be a trailing function. They will express themselves in the intermediate period but even more after we have achieved the technical migration.

Lee M. Shavel

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

A

And Andrew, one thing I just want to add to Scott's comments, kind of two things. One, just to kind of address the broad question, I'd say there's no material cost benefit that we've realized at this point in the process because we are still in the – bringing the cloud costs in. And we are in the process, as Scott has described, of stepping down that on-premises cost over time. We believe that – and that's more a function of the phasing of this. And we're dealing with hundreds of data sets that have to be re-migrated, power has to be migrated, applications that have to be re-coded. But we will achieve those savings over time. So there's nothing, I think, material in the margin.

The second point that I want to make is there's also a revenue benefit. And I will tell you that the thing that we're probably most excited is getting these data sets into the cloud, substantiating the data fabric that we are building across the enterprise. And our ability to innovate, associate data sets and create new platforms and analytics of commercial value is indisputably enhanced by that. So I think we are seeing some of the benefits of that on the new product development side that we're excited about commercializing.

Andrew Nicholas

Analyst, William Blair & Co. LLC

Q

Great. That's really helpful. And then switching gears a little bit, in Financial Services, obviously, transaction revenues are a bit challenged near-term, but it looks like subscription revenue has ticked higher each quarter throughout this year. So I was hoping you could speak to where you're seeing the most momentum in that business. Thank you.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

Yeah, it's really broadly based. I think we've described to you in the past that we have multiple categories of solutions. Lee called out that, at the moment, spend-informed analytics, which does relate to folks that are trying to promote their products, and therefore, ultimately things like advertising. That has been feeling the effects of the COVID moment so we called that one out. But all the other things that we do are a part of the overall results that we shared with you.

Lee M. Shavel

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

A

Yeah. I think that's true. There isn't anything that I would call out specifically. I think it has been fairly broad-based on the subscription side.

Andrew Nicholas

Analyst, William Blair & Co. LLC

Q

Appreciate it.

Operator: Thank you. Next question comes from the line of Gary Bisbee from Bank of America. Your line is open.

David Chu

Analyst, Bank of America Merrill Lynch

Q

Hi, thanks. This is David Chu for Gary. So you highlighted lower T&E costs with short-term comp as part of that T&E benefit. So just wondering if you can speak to the level of overall underlying margin expansion improvement ex these potential short-term benefits, and also wondering if there was any benefit from equity grant timing in the quarter.

Lee M. Shavel

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

A

Thanks. So the short answer is, even when we exclude the T&E benefit, we are still seeing operating margin expansion. So when we look at our overall improvement in margin, the T&E and the incentive compensation benefit in the third quarter was some but not all of that. So we are very pleased to see that that operating leverage in this environment, even absent those savings, is still expressing itself. And that's before we take into account the non-organic or the M&A related impact. So within the core business, we're seeing that.

But also in our breakouts, we're seeing a contribution from improved operating leverage within those businesses. But I think your question went to the key element, is the T&E and the incentive comp impact greater than the overall level? No, it's just – it's a component, and we're actually having operating leverage beneath that.

David Chu

Analyst, Bank of America Merrill Lynch

Q

Okay, great. And then just in terms of the improvement in transactional revenue being down 10% versus 20% last quarter, can you just dive into that a bit more? Just what are the biggest drivers of improvement? I think you spoke to it a bit, but just where are things lagging still?

Lee M. Shavel

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

A

I would say that where we are seeing recovery, and you will – if you go back in the script, you'll see some comments around our survey – our commercial lines survey business where we have seen improvement. Part of that is access to the buildings. We've also seen an improvement on the personal lines, or the personal auto segment because with greater driving activity, we're seeing a benefit to that in some of our transactional businesses. Those are probably the largest components. We continue to see the pressure probably unchanged in more of the consulting businesses that we've seen. And also, of course, travel remains extremely restricted, and so we're not seeing any material benefit on that front. So that hopefully gives you some compositional color on those changes.

David Chu

Analyst, Bank of America Merrill Lynch

Q

Great. Thank you.

Operator: Thank you. Next question comes from the line of Manav Patnaik from Barclays. Your line is open.

Manav Patnaik

Analyst, Barclays Capital, Inc.

Q

Thank you. Good morning, guys. I wanted to focus more on the InsureTech, I guess, update from your perspective. We've obviously had a few of them go public this year already. And I was just curious, from your perspective, how things are going there. I know in the past you gave us some win rates and stats. I don't know if you have any updates there as well.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

Yeah. Manav, it was really hard to hear you. I think you were asking about InsureTech and maybe you gave us kind of an environmental question about sort of what's going there or perhaps also its intersection with us. Mark, do you – assuming that that was your question, I [indiscernible] (00:49:28).

Manav Patnaik

Analyst, Barclays Capital, Inc.

Q

Yeah, that's correct, yes.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

Okay. All right. Mark, do you want to maybe kick off on that?

Mark V. Anquillare

Chief Operating Officer & Executive Vice President, Verisk Analytics, Inc.

A

Sure. So obviously, it's a very robust market for anyone with a [indiscernible] (00:49:37) IPO from the InsureTech world looking to underwrite risk. And I think like many people, there are InsureTechs that are aggressively looking to explore that IPO opportunity. The good news about that is the way these InsureTechs seem to be attractive to the market is because of the tech play, the automation, the way they go about things in the non-traditional sense.

And I think what we have been fortunate to be a part of is, as these new InsureTechs come to market, whether initially as a managing general agent, where they don't actually underwrite the risk but they select it, or a full-blown underwriting insurer, they have looked to us for data analytics information as a part of that trail. So we have benefited from the InsureTech world as it relates to those insurance companies. And some of the biggest ones that are in market or those that are coming to market behind the scenes are quite effectively using a full suite of Verisk solutions. So I feel like we're great partners to those InsureTechs.

I think the other part of the question that you have, and I don't want to be overly exhaustive, but there's also InsureTechs that are providing services. And those InsureTechs that are providing services in part compete against us. And those businesses clearly have [indiscernible] (00:51:10) enhance and increase the views, the awareness of insurers of alternate sources of doing business. And I think the combination of a little bit of competition, which always makes us better, but also the fact that now insurers are hearing that message, they're probably a little more open and interested to talk about our solutions and opportunities there. So I hope, Manav without really hearing your question, that was hopefully, what you were looking for.

Lee M. Shavel

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

A

And Manav, I want to add one thing, building off of Mark's comments on the competition dynamic. And he was describing it with regard to other InsureTechs that provide services to us. You know, on the former point in terms of the new entrants, the secondary benefit, and frankly, in some ways, potentially even the more significant benefit, is that that competitive pressure of new approaches to the insurance industry, it puts more pressure on

some of the traditional players that are looking to address and respond to that. And so for instance, in our LightSpeed product, I think the LightSpeed product where we've had great success is in many ways a competitive response to other new markets that are out there. So it's serving to, I think, lift the industry as a whole apart from kind of that purely incremental amount of revenue that we get from those new entrants.

Manav Patnaik*Analyst, Barclays Capital, Inc.*

Q

Yeah, that's helpful. Thank you. That's what I was going at. And for my second question, hopefully you can hear me. But the breakout areas, some of them that you've talked about in the past might have already broken out. But just what are some of the key ones we should be keeping an eye on in terms of where the investments are going in to-date?

Scott G. Stephenson*Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.*

A

Well, I would just highlight, sort of at a kind of high-thematic level. The businesses that we have, which are very much sort of SaaS-powered business models, are doing very well. And those show up in multiple parts of our business. And in general, the more that we lean into, as we are, what we refer to as platform analytic environments, the better basically.

And there are development cycles associated with those, but when you get to the place where you are the environment, where your customer finds it productive to do their work, that's a really, really powerful place to be. And that's a theme which spans much of our company today and all the verticals.

Manav Patnaik*Analyst, Barclays Capital, Inc.*

Q

All right. Thank you.

Operator: Thank you. Next question comes from the line of George Tong for Goldman Sachs. Your line is open.

Q

Hi. Thanks. You have [ph] Ryan (00:54:01) on for George today. So, you had mentioned earlier that you're able to outgrow your end markets due to the increased value you bring to customers. I was just wondering if you've seen any impact to pricing in the current environment. And if so, which segments are pulling back the most? And then also, could you remind me what lift to organic growth that pricing tends to provide in a given year?

Scott G. Stephenson*Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.*

A

Yeah. So let's see, in reverse order, you should think of pricing as sort of a GNP-ish kind of a number sort of, inside of what it is that we do. I don't really think that there have been differential effects, in different parts of – I think your question was at the level of verticals. I don't really think there have been differential effects. I would go back to what Lee cited before, which is services is the place where, when the economy softens, there tends to be a softening, and so, kind of that as a category. But in terms of licensed solutions, I wouldn't make sharp distinctions across the verticals. Lee, I don't know if you would see it any differently. But doesn't feel that way.

Lee M. Shavel

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

A

No. I agree.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

To me. And then the way that we think about pricing our solutions, and we've tried to be very deliberate about separating COVID-sensitive and non-COVID-sensitive revenues. You've heard our report in terms of the non-COVID-sensitive, which tend to essentially be licensable, subscription-based kinds of solutions.

And we talked about slightly, modestly longer sales cycles. But in terms of the terms that we're striking with our customers, I have not picked up any signals that there's any real change there.

Lee M. Shavel

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

A

I think maybe the question that you were asking and making reference, as we get in the text, COVID was focused on the Energy and Specialized Markets performance relative to the end market.

And the one area that I would point out, it was with reference to the Lens platform. And there, I think it is a microcosm of where we are adding substantial value to the customer in this environment. And that's enabling us to secure larger contract values, because of the value that we're delivering into that end market.

And I think that, in a way, is what's powering us to outperform the end market as a function of the value that we're creating there. And I think there are other instances of that. That's a, I think, the investment and the return dynamic which is I think a separate answer than the point of view that Scott expressed, which I agree with in terms of differential on the segments.

Q

Great. Thanks. And then for my follow-up, I know the – I was hoping to get an update on the Geomni situation. I understand that the injunction was supposed to lap for their revenue impact in 3Q essentially. But you'd previously discussed some other options to continue pursuing Aerial Imagery, such as commercial licensing even with EagleView. And I was just wondering if there was any other options that, or things that are looking more realistic to you at this point.

Mark V. Anquillare

Chief Operating Officer & Executive Vice President, Verisk Analytics, Inc.

A

Thanks for the question. This is Mark. So first of all, we continue to explore our legal options with regard to roof measurements. As well, you probably referenced earlier, what we did was we kind of moved a lot of our image capture to Vexcel. What that allows, and to just emphasize the importance of that is, what's expensive and what's very important is coverage, right? And coverage not only in what geographies you have, but how frequently you refresh that. So with a combined source of image capture, we are now able to, better than anyone else, cover the United States and cover the United States frequently and go international.

With that inventory, we have put together some solutions for underwriting purposes, which represent things about the outside of the building, physical structures, pool, things like that as well as ways to go about looking at claims

and triaging claims after an event, a catastrophe as an example or extreme weather. And we've taken some of that inventory and we've moved it over into the energy space and ways we go about helping energy companies do things around their assets and their physical network.

So what hopefully you hear is we've tried to leverage and gain scale on image capture, while still doing the analytics. And that analytic approach is not just insurance. It's more broadly even into real estate, construction and other verticals here. So that has been our focus. But at this time, we are not able to provide roof measurements, which is the very important app or approach inside the claims space.

Q

Great. Thanks for that.

Operator: Thank you. Next question comes from the line of Jeff Meuler from Baird. Your line is open.

Jeffrey P. Meuler

Analyst, Robert W. Baird & Co., Inc.

Q

Thank you. Good morning, everyone. So sorry to beat the dead horse you've already tried to address four times. But, so I hear you that there's an extraordinary kind of margin benefit this year. So it sounds like a year-over-year step back in 2021, that makes sense. You referenced in one of your answers, Lee, that 2019 as a reference year to build off of. So it sounds like higher than 2019.

Just want to make sure that I'm considering the appropriate building blocks. So I guess you referenced the Vexcel benefit, I guess two years of some form of normalized margin expansion in the business and then only a partial return of T&E or some of the temporary cuts. So do I have the categories right? Anything that I'm missing? And can you quantify the Vexcel benefit for us? Thank you.

Lee M. Shavel

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

A

Yeah. So, and Jeff, it was a little bit hard to hear the last one. The short answer is I think that you have the components correctly in the business. The variable is going to be the ongoing impact of COVID-19 on our business and the inherent unpredictability of that. We're certainly hopeful that we'll continue to see a return to a more normal environment. And in getting there, I think our hope is that we will be able to hang onto some of these elements of margin improvement that we saw, probably not all of them. We will need to travel and visit with clients. If we are performing better relative to our targets, then we should see our compensation structure adjust to that. But I think you have the components correctly. And I think all we want to do is highlight of some of those temporary impacts and then to begin to anticipate the return to a normal environment that we're going to try to manage. So I think that hopefully addresses the first part of your question.

The second part of your question I just would ask you to repeat because it wasn't entirely clear to me, not that you weren't expressing it clearly, but I had a hard time hearing it.

Jeffrey P. Meuler

Analyst, Robert W. Baird & Co., Inc.

Q

It was just if you could quantify the Vexcel benefit to margin.

Lee M. Shavel

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

A

I can't. It's part because I think we view it as, this margin is reflective of the core underlying margin of the Insurance business. Vexcel – I'm sorry, the Geomni business, as we have discussed in the past, was a business that we were making a substantial investment in, that it was not contributing a positive margin as we were investing in it. Now without, you can kind of see the core element of the business. But we don't quantify that.

Jeffrey P. Meuler

Analyst, Robert W. Baird & Co., Inc.

Q

Okay. And then on Lens, what percentage of the client base that it would be a good fit for have transitioned over to Lens at this point? I guess roughly, what is the immediate price lift? And then maybe more importantly, how does it change the long-term interaction with the customer and revenue opportunity over time?

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

So Jeff, if you were to understand Lens as – in sort of the Lens market space opportunity picture, basically, it's the product of all the different content families times all the accounts. And when you think of it that way, we're in a very early stage of our journey.

Jeffrey P. Meuler

Analyst, Robert W. Baird & Co., Inc.

Q

Okay. Thank you.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

You bet.

Operator: Thank you. Next question comes from the line of Seth Weber from RBC Capital Markets. Your line is open.

Emily McLaughlin

Analyst, RBC Capital Markets LLC

Q

Hi. This is Emily McLaughlin on for Seth this morning. My first question, just building on an earlier one, can you talk about the monthly trends or the exit rates in the 15% of the business that's COVID-sensitive relative to the down 10% for the full quarter?

Lee M. Shavel

Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.

A

Yeah. So it's obviously just one month, I would say, that so far, based upon what we've seen, we're seeing similar year-over-year growth rates in the COVID-sensitive revenues and in the non-COVID-sensitive revenues. So I think that we – while certainly the third quarter demonstrated a sequential improvement relative to the second quarter, so far, and again, it's just into the start of this, we are perhaps seeing the impact of going into the winter season and some impacts of increased restrictions on a global basis that may create less opportunity for sequential improvement relative to the third quarter. That's kind of speculation. Nobody knows for certain. But at

least looking at October, we're seeing kind of stable levels of year-over-year change in the non-COVID and the COVID-sensitive revenues.

Emily McLaughlin*Analyst, RBC Capital Markets LLC*

Q

Okay. Great. That's really helpful. And my second question, just a housekeeping one. Are you able to quantify how much the storm-related revenue contributed to the Insurance segment growth?

Lee M. Shavel*Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.*

A

No. It's not a significant enough number. On the margin, it was beneficial, but we aren't quantifying that.

Emily McLaughlin*Analyst, RBC Capital Markets LLC*

Q

Okay. Thanks very much for the time.

Lee M. Shavel*Chief Financial Officer & Executive Vice President, Verisk Analytics, Inc.*

A

Thank you.

Operator: Thank you. Next question comes from the lines of Hamzah Mazari from Jefferies. Your line is open.

Hamzah Mazari*Analyst, Jefferies LLC*

Q

Hey, good morning. Thank you so much. My first question is just on the international Insurance business. And my question really is, a number of years ago, I think at an Analyst Day, maybe it was 2017 or 2018, that business I think was \$130 million. And we had talked about potentially doubling that business organically over the next five years. And so I know Rulebook and Sequel were powerful acquisitions to further penetrate international. I also know that AIR is pretty well penetrated, but maybe not certain other solution sets. So just any update on where that international business is today, how it's performed, where you think there's further opportunity.

Mark V. Anquillare*Chief Operating Officer & Executive Vice President, Verisk Analytics, Inc.*

A

So thank you for the question. I do like talking about this topic. I think if you were to think about that presentation, and I appreciate you bringing it back to us. The UK was, in particular, a point of particular focus. And if you recall, we did a series of acquisitions. It brought a series of new products there. And I think that thesis has proven out wonderfully well. I think we are growing probably in excess of that plan. And we have definitely added to our growth rates in Insurance as a result of that international dimension.

A couple things just to highlight, where I think we've been particularly effective. Sequel, Rulebook was and continues to be a wonderful acquisition, not just because of the solution set, but its ability from a technology perspective to integrate and weave together a lot of the various insurance solutions. So we have a more holistic and more interconnected set of solutions as a result of that acquisition.

We also have some acquisitions that are in kind of the ISO world that really represent some of the things that we've done here, but it's sending it out. And that's about writing risk and pricing risk and understanding where

risks are. So that, again, has been positive. I think the place that I continue to aspire is I would love to, and I think we would as a team, love to recreate some of the success we've had in the UK in other geographies. And finding the right mix of solutions and acquisitions although into European nations, that has been a little bit more of a challenge, but we continue to pursue that.

Hamzah Mazari

Analyst, Jefferies LLC

Q

That's very helpful. And just my follow-up question is just on Financial Services. And really the question really is, it seems like you've done a lot of work there from a few years ago where the transaction, or where the subscription piece was a lot smaller. It seemed like the customer base was much more concentrated to banks. Could you maybe contrast this business to where does it sit today? Is it pretty similar to the Energy and Insurance business? And how does it differ from the healthcare business that you've divested? Which, I guess that business became not very global in nature, and I guess the customer base became very concentrated towards the government. And so just big picture, is that business kind of fixed, for lack of a better word, in terms of where it should be?

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

We're very happy with the progress that we've made. For me, the primary point of distinction with – you chose the healthcare vertical, and all the factors that you cited are accurate. But to me, the primary difference was and remains that we have a remarkable and proprietary data set inside what we do in the Financial Services vertical. We had the hypothesis when we began the journey in the healthcare vertical that we could establish a data advantage. And because of developments in the market environment, that proved not to be the case. And so caring about returns that we drive for our shareholders, we'd said, okay, probably the best thing to do is to invest in other directions. So this situation is very different from that situation. And the number one factor that I would cite is a remarkably proprietary data set.

Hamzah Mazari

Analyst, Jefferies LLC

Q

Got it. Makes sense. Thanks so much.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

A

You bet.

Operator: Thank you. There are no question at this time. Presenters, you may proceed.

Scott G. Stephenson

Chairman, President & Chief Executive Officer, Verisk Analytics, Inc.

Okay. Well, thank you, everybody, for your continuing interest in Verisk, and appreciate all your questions. We will, as always, be following up with you and look forward to that. So thanks. Have a great day, rest of the day.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect. Have a great day.

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